

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 JUSE-00 L-03 PA-02 PRS-01
USIA-15 SY-05 SS-15 USSS-00 /062 W
-----091735 231359Z /45

P R 231221Z NOV 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 3361
INFO AMCONSUL HAMBURG
AMCONSUL DUSSELDORF
USMISSION USBERLIN

UNCLAS SECTION 01 OF 03 BONN 19439

DEPARTMENT PASS URGENTLY TO ASST. ATTORNEY GENERAL
SHENEFIELD, DEPARTMENT OF JUSTICE

BERLIN FOR SURENA AND MARIANNE FISCHER

E.O. 11652: N/A
TAGS: OVIP (SHENEFIELD, JOHN H.) GW
SUBJECT: FRG VISIT OF ASST. ATTORNEY GENERAL SHENEFIELD
DECEMBER 8-12, 1977

REFS: (A) STATE 270296; (B) USBER 2955
(C) BRUSSELS 16602; (D) BRUSSELS 16753

1. THERE FOLLOWS FOR ASSISTANT ATTORNEY GENERAL
(ANTI-TRUST) JOHN H. SHENEFIELD HIS SCHEDULE DURING
HIS VISITS IN DUSSELDORF, HAMBURG AND BERLIN ON
A LECTURE TOUR SPONSORED BY GERMAN-AMERICAN LAWYERS
ASSOCIATION (GALA). ALSO INCLUDED, PER MR. SHENEFIELD'S
REQUEST TO GALA, IS EMBASSY-PREPARED BRIEF SUMMARY OF
ECONOMIC TRENDS IN FRG AND NOTES ON SEVERAL US ANTI-
TRUST DEVELOPMENTS WITH EFFECTS IN FRG THAT COULD FORM
SUBJECT OF QUESTIONS TO MR. SHENEFIELD DURING FUNCTIONS
AND THAT FORM, IN ANY EVENT, ANTI-TRUST BACKDROP OF
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HIS VISIT TO FRG.

2. US INFORMATION SERVICE AT EMBASSY BONN IS PREPARED
TO FUND DIVERSIONARY TRAVEL FROM WASHINGTON-BRUSSELS-
WASHINGTON ROUTING TO MAKE POSSIBLE MR. SHENEFIELD'S
GALA LECTURE TRIP IN FRG. FISCAL DATA TO FUND FRG LEG
OF TRIP IS: 67-80100-870058-32GE-D1301-21511-265. USIS

WILL ALSO PROVIDE MR. SHENEFIELD WITH 5 DAYS OF PER
DIEM TOTALLING \$302 WHICH WILL BE PROVIDED HIM VIA GALA
AT DUSSELDORF. WOULD HE PREFER THIS IN DM OR DOLLARS?

3. SCHEDULE FOLLOWS:

DUSSELDORF

DEC. 8 ARR. 10:55 BEA 632 FROM LONDON
MET AT AIRPORT BY MR. DU MESNIL (GALA)
ACCOMMODATION: HILTON HOTEL,
GEORG-GLOCK-STR. 20
TEL: (0211) 43 49 63

CONTACT PERSON: RUDOLF DU MESNIL
DE ROCHEMONT
WASSERSTR. 13
4000 DUSSELDORF
TEL: (0211) 32 91 63 - OFFICE
(02101) 65 400 - HOME

15:00 MEETING WITH DR. KLAUS STAHL,
ANTI-TRUST SECTION FRG MIN ECON AND
DR. VON PORTATUS, FRG REP AT UNCTAD.
MEETING WILL BE IN DUSSELDORF
HILTON.

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18:30 GALA MEETING AT HILTON
SPEAKERS: SHENEFIELD, MESTMAECKER
DISCUSSION LEADER: PROF. GUENTHER
WELCOME: DU MESNIL

DEC. 9 LV. 13:40 LH 279 TO HAMBURG

HAMBURG

DEC. 9 ARR. 14:30 LH 279 FROM DUSSELDORF
MET AT AIRPORT BY PROF. DROBNIG (GALA)
ACCOMMODATION: HAMBURG PLAZA HOTEL
MARSEILLER STR. 2
TEL: (040) 35 10 35

CONTACT PERSON: PROF. DR. ULRICH
DROBNIG, MAX-PLANCK-
INSTITUT, MITTELWEG 187

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INFO OCT-01 EUR-12 ISO-00 JUSE-00 L-03 SY-05 SS-15
USSS-00 PA-02 PRS-01 USIA-15 /062 W
-----091744 231400Z /45

P R 231221Z NOV 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 3362
INFO AMCONSUL HAMBURG
AMCONSUL DUSSELDORF
USMISSION USBERLIN

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TEL: (040) 41 27 233

17:30 GALA MEETING AT THE HANDELSKAMMER,
SAAL 121, BOERSE
SPEAKERS: SHENEFIELD, ULMER
DISCUSSION LEADER: FISCHOETTER
WELCOME: DROBNIG

DEC. 10 LV. 9:45 PA 602 TO BERLIN

BERLIN

DEC. 10 ARR. 10:25 PA 602 FROM HAMBURG
MET AT AIRPORT BY FRAU FISCHER (GALA)
ACCOMMODATION: KEMPINSKI HOTEL
KURFUERSTENDAMM 27
TEL: (030) 88 10 91

CONTACT PERSON: FRAU MARIANNE C.
FISCHER, KOENIGIN-LUISE-
STR. 89 B

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TEL: (030) 8197624 - OFFICE
(US MISSION)
(030) 8312239 - HOME

DEC. 12 10:30 PROPOSED MEETING WITH PROF. DR. KURT
MARKERT, A DIRECTOR OF FEDERAL
CARTEL OFFICE, IN MARKERT'S OFFICE
(SEE REFTEL B OF NOVEMBER 17)

11:30 GALA MEETING (PROBABLY AT HOTEL
KEMPINSKI) - LUNCHEON
BEGINNING OF LECTURE: 12:00
SPEAKER: SHENEFIELD
DISCUSSION LEADER: PROF. MARKERT

LV. 18:00 PA 705 TO FRANKFURT

4. ECONOMIC TRENDS IN GERMANY AND THEIR IMPLICATIONS
FOR THE UNITED STATES; STATUS - NOVEMBER 10, 1977:

1977 HAS BEEN IN MOST RESPECTS A DISAPPOINTING
YEAR FOR THE GERMAN ECONOMY. GNP WILL HAVE RISEN BY
ONLY ABOUT THREE PERCENT AS OPPOSED TO A FRG PROJECTED
RATE OF FIVE PERCENT FOR 1977 AND TO A 5.7 PERCENT RATE
IN 1976. UNEMPLOYMENT AT ABOUT 4.5 PERCENT HAS REMAINED
AT THE PREVIOUS YEAR'S LEVEL. ONE BRIGHT FEATURE OF THE
ECONOMIC SITUATION HAS BEEN A CONTINUED MODERATION OF
INFLATION. THE CONSUMER PRICE INDEX IS EXPECTED TO
RISE BY LESS THAN FOUR PERCENT IN 1977, DOWN FROM A
1976 RATE OF 4.5 PERCENT. LOWER THAN EXPECTED CONSUMER
AND GOVERNMENT EXPENDITURES AND A SLACKENING OF EXPORT
GROWTH UNDERLY THE WEAKENING OF DEMAND DURING THE COURSE
OF THE YEAR.

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IN AN EFFORT TO PRIME A DROOPING ECONOMY THE
FEDERAL GOVERNMENT IS INCREASING BUDGETARY OUTLAYS IN
1978 BY TEN PERCENT AND CUTTING TAXES BY AN ESTIMATED
DM 11 BILLION. THE LATTER ENCOMPASS BENEFITS FOR
INVESTORS AND CONSUMERS AND SHOULD BOOST PRIVATE SECTOR
EXPENDITURES ON ALL FRONTS IN THE NEW YEAR. AS A
FURTHER ANTI-CYCLICAL FISCAL MEASURE STATE GOVERNMENTS
ARE BEING URGED TO ADVANCE THEIR CAPITAL OUTLAY
PROGRAMS. THE GOVERNMENT HOPES TO RAISE THE GNP
GROWTH RATE TO 4.5 PERCENT IN 1978; UNCERTAINTIES ABOUT
THE WORLD ECONOMIC SITUATION AND THE RESPONSES OF
BUSINESS, LABOR AND THE PUBLIC TO FISCAL INCENTIVES
LEAD SOME OBSERVERS TO A MUCH MORE CAUTIOUS PROGNOSIS.

U.S. EXPORTS TO THE GERMAN MARKET ROSE ONLY
MARGINALLY IN 1977. THE U. S. MARKET AND THOSE OF THE
OIL EXPORTER COUNTRIES WERE THE MOST BUOYANT FOR GERMAN
EXPORTERS IN 1977. U. S. EXPORTS SHOULD BENEFIT FROM
A MODEST INCREASE IN THE RATE OF IMPORT DEMAND IN THE
COMING MONTHS.

5. ANTI-TRUST DEVELOPMENTS

A. AIR FARES. OCTOBER 21 - LUFTHANSA, PANAM
AND TWA WERE FINED \$30,000 EACH AFTER PLEADING NO
CONTEST TO CHARGES THEY CONSPIRED FROM 1973-1974 TO FIX
PRICES OF MILITARY EXCURSION FARES BETWEEN FRG AND U.S.
A CONSENT DECREE IS NOW BEING DRAWN UP TO BLOCK THE
AIRLINES FROM SIMILAR CONDUCT IN THE FUTURE. ACCORDING

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INFO OCT-01 EUR-12 ISO-00 JUSE-00 L-03 SY-05 SS-15
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-----091761 231400Z /45

P R 231221Z NOV 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 3363
INFO AMCONSUL HAMBURG
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TO JUSTICE ATTORNEY WORKING ON THE CASE, THE LUFTHANSA
DECREE WILL DIFFER SLIGHTLY BECAUSE OF JUSTICE'S
INABILITY TO HAVE COMPLETE ACCESS TO LUFTHANSA'S
BOOKS IN GERMANY. THE DECREE IS EXPECTED BY FEBRUARY,
1978.

B. MOVING INDUSTRY. A GRAND JURY WAS CONVENED ON
JULY 18, 1977 TO LOOK INTO POSSIBLE COLLUSIVE
PRACTICES IN THE HOUSEHOLD GOODS MOVING INDUSTRY AS
IT AFFECTS U.S. MILITARY TRAFFIC TO, FROM AND WITHIN

GERMANY. THE CURRENT INVESTIGATION HAS CENTERED ON THE EUROPEAN COORDINATING COMMITTEE OF THE HOUSEHOLD GOODS FORWARDERS OF AMERICA (HHGFAA), BUT BECAUSE GERMANY IS GEOGRAPHICAL FOCUS OF THE INQUIRY, THE INVESTIGATION WILL UNAVOIDABLY DEAL WITH GERMAN FIRMS. THE ANTITRUST DIVISION IS NOT PLANNING AT THE PRESENT TIME TO SUBPOENA GERMAN NATIONALS, AND EXPECTS FURTHER LEGAL ACTIONS WILL BE AIMED SOLELY AT AMERICAN FIRMS AND AMERICAN CITIZENS.

C. OCEAN SHIPPING. ON SEPTEMBER 1 A DELEGATION
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OF SIX EUROPEAN REPRESENTATIVES LED BY BRITISH AMBASSADOR PETER JAY (FRG REPRESENTED BY HANS MICHAEL RUZTER, MINISTER COUNSELOR) MADE A DEMARCHE TO UNDER SECRETARY OF STATE COOPER IN WHICH THE EUROPEANS REITERATED THEIR CONCERNS WITH THE CONTINUING CRIMINAL GRAND JURY INVESTIGATION OF EUROPEAN OCEAN CARRIERS BY THE U.S. DEPARTMENT OF JUSTICE. JAY NOTED U.S. ANTI-TRUST LAW, BUT QUESTIONED ITS APPLICATION INTERNATIONALLY AND BROUGHT UP ISSUE OF INFRINGEMENT ON EUROPEAN SOVEREIGNTY. HE ASKED FOR FURTHER DISCUSSION ON THE CRIMINAL STATUS OF THE CASE AND MESHING OF EUROPEAN-U.S. APPROACHES TO FUTURE MATTERS OF SHIPPING REGULATION. COOPER STATED THAT THE TWO MATTERS MUST REMAIN SEPARATE AND STATED U.S. WILLINGNESS TO HAVE BROAD DISCUSSIONS ON THE GENERAL TOPIC OF ANTITRUST AND OTHER INVESTIGATIONS OF SHIPPING PRACTICES, BUT SPECIFIC CASES WOULD BE OFF LIMITS. THE STATE DEPARTMENT REPEATED THIS POSITION IN A NOTE ON OCTOBER 31 TO EMBASSIES U.K., BELGIUM, FRG, NETHERLANDS AND SWEDEN.

D. PHARMACEUTICALS. THE FTC HAS OPENED A PRELIMINARY NON-PUBLIC INVESTIGATION OF THE PROPOSED TENDER OFFER BY BAYER, A.G., A WEST GERMAN COMPANY, FOR ALL OF THE SHARES OF MILES LABORATORIES, INC.

E. STEEL. THE NATIONAL STEEL CORPORATION HAS FILED A COMPLAINT ALLEGING THAT FOURTEEN FRG FIRMS ARE DUMPING CERTAIN STEEL PRODUCTS IN THE U.S. THIS, COMBINED WITH DAILY REPORTS ON THE MEETINGS OF THE SOLOMON COMMITTEE, HAVE PROVOKED MANY QUERIES. ANOTHER TOPIC OF CONCERN IN THE STEEL AREA IS THE CURRENT LITIGATION REGARDING THE REBATING OF THE VALUE-ADDED-TAX. DOJ OFFICIALS WILL BE TAKING DEPOSITIONS IN BONN
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AND MUNICH, DECEMBER 6-8.

F. EC NOTE VERBALE ON EXTRATERRITORIAL APPLICATION OF U.S. LAW. AS REPORTED IN BRUSSELS CABLES 16602 AND 16753, THE EC COMMISSION HAS PRESENTED THE U.S. WITH A TALKING PAPER EXPRESSING EC CONCERN OVER THE APPARENT INCREASE IN U.S. LEGISLATION WHICH PURPORTS TO EXTEND THE SCOPE OF U.S. DOMESTIC LAW EXTRATERRITORIALLY. SINGLED OUT ARE THE AREAS OF ANTITRUST, THE RESTRICTIVE TRADE PRACTICES SECTION OF THE EXPORT ADMINISTRATION ACT, TITLE III OF HR 7738, AND HR 7325.

G. UNITED BRANDS CASE. AN OPINION FROM THE EUROPEAN COURT OF JUSTICE IS EXPECTED SOON ON THE EC COMMISSION'S 1975 DECISION TO FINE UNITED BRANDS ONE MILLION UNITS OF ACCOUNT (UA) AND TO OBLIGE IT TO REDUCE ITS PRICES, ON THE GROUNDS OF ABUSE OF A DOMINANT POSITION IN THE BANANA SECTOR IN THE BENELUX, GERMANY, DENMARK AND IRELAND. UNITED BRANDS IS APPEALING THE DECISION, CLAIMING IT DOES NOT HAVE AN EXCESSIVE MARKET SHARE, NOR DOES IT SET EXCESSIVE OR DISCRIMINATORY PRICES.

6. MR. SHENEFIELD WILL ALREADY BE AWARE THAT THE FRG IS IN THE PROCESS OF REVIEWING ITS CARTEL LAWS WITH A VIEW TO TIGHTENING MERGER CONTROLS AND BETTER CONTROLLING ABUSES BY ENTERPRISES THAT HAVE A DOMINANT POSITION IN A SECTOR OF THE MARKET.
STOESSEL

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Message Attributes

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